

# CapMan plc Corporate Governance Statement 2018

## 1 Applicable rules and regulations

CapMan Plc (“CapMan”) complies, in accordance with the comply or explain principle, with the Finnish Corporate Governance Code 2015 (the “Code”) for listed companies issued by the Securities Market Association and entered into force on 1 January 2016. Furthermore, CapMan’s corporate governance is in compliance with the laws of Finland, its articles of association and the rules and directions of Nasdaq Helsinki Ltd. This Corporate Governance Statement (the “Statement”) has been prepared in compliance with the Code’s Corporate Governance reporting guidelines. The Code is publicly available on the website of the Securities Market Association at [www.cgfinland.fi](http://www.cgfinland.fi).

The Statement is reviewed by the Audit Committee of CapMan’s Board of Directors (the “Board”) and it is issued separate from the report by the Board. CapMan’s auditor Ernst & Young Oy has checked that the Statement has been issued and that the description of the main features of the internal control and risk management systems

pertaining to the financial reporting process contained in the Statement is consistent with the Financial Statements.

For further information regarding CapMan’s corporate governance, please visit the company’s website at <https://www.capman.com/shareholders/governance/>

## 2 General Meeting of the shareholders and the Articles of Association

The ultimate decision-making power at CapMan lies with the General Meeting of the shareholders. Among other things, the General Meeting adopts the financial statements, decides on distribution of profits based on the proposal of the Board of Directors, elects the members of the Board of Directors and the auditor, decides on the discharge from liability and on amendments to the Articles of Association. The notice to the General Meeting is published on the company’s webpages and as a stock exchange release. Proposals for the General Meeting are available on the company’s webpage before the meeting.

CapMan’s Articles of Association and material related to the General Meeting are available on the company’s webpage at the address: <https://www.capman.com/shareholders/governance/>

## 3 Shareholders’ Nomination Board

CapMan Plc’s 2018 AGM decided to establish a Shareholders’ Nomination Board to prepare future proposals concerning the election and remuneration of the members of the Board of Directors to the General Meeting. The AGM also adopted a Charter for the Nomination Board. The Shareholders’ Nomination Board shall serve until further notice. The term of office of the members of the Shareholders’ Nomination Board expires annually after the new Shareholders’ Nomination Board has been nominated.

The Shareholders’ Nomination Board consists of representatives nominated by the four largest shareholders of the company and the Chairman of CapMan Plc’s Board of Directors, serving as an expert member. As an expert member the Chair-

man of the Board of Directors of CapMan Plc does not take part in the decision-making of the Shareholders’ Nomination Board.

The following members were nominated to the Shareholders’ Nomination Board in September 2018: Patrick Lapveteläinen (Member of the Board of Directors of Mandatum Life Insurance Company Limited), Mikko Mursula (Chief Investment Officer of Ilmarinen Mutual Pension Insurance Company), Ari Tolppanen (Chairman of the Board of Oy Inventiainvest Ab) and Mikko Kalervo Laakkonen. Additionally, Andreas Tallberg, the Chairman of the Board of Directors of CapMan Plc, served as the expert member on the Shareholders’ Nomination Board. Patrick Lapveteläinen was the Chairman of the Shareholders Nomination Board.

The Nomination Board has convened three times during its term. Board member nominees were also interviewed between the meetings. The Nomination Board discussed the size, composition and diversity of the Board of Directors and the areas of expertise that are most beneficial for the company. The Nomination Board also reviewed the remuneration of the Board and gave its

proposals to the General Meeting on 25 January 2019. The proposals were published as a stock exchange release.

The Charter of the Shareholders' Nomination Board is available on CapMan's website at: [https://www.capman.com/wp-content/uploads/2018/12/Shareholders\\_Nomination\\_Board\\_Charter\\_FINAL.pdf](https://www.capman.com/wp-content/uploads/2018/12/Shareholders_Nomination_Board_Charter_FINAL.pdf)

## 4 Board of Directors

### 4.1 Composition and diversity of the Board of Directors

All members of the Board are elected by the General Meeting. There is no specific order for the appointment of Board members in the articles of association. According to the articles of association, the Board comprises at least three and at most nine members, who do not have deputies. Members are elected for a term of office of one year, which starts at the close of the General Meeting at which they were elected and ends at the close of the AGM following their election. The Board elects a Chairman and a Vice Chairman from among its members. The Shareholders' Nomination Board, which was initially established at the 2018 AGM and which replaced the Board's Nomination Committee, makes the proposals on the composition of the Board of Directors and the remuneration for the Board and Committee Members to the AGM. The Shareholders' Nomination Board's proposals are typically published as a separate stock

exchange release and are also included in the notice to convene the AGM.

The AGM held on 14 March 2018 elected five members to the Board of Directors, who were all present at the meeting. Ms. Mammu Kaario, Mr. Andreas Tallberg and Mr. Ari Tolppanen, were re-elected to the Board. Ms. Catarina Fagerholm and Mr. Eero Heliövaara were elected to the Board of Directors as new members. At its organizing meeting 14 March 2018, the Board elected from among its members Andreas Tallberg as the Chairman of the Board and Mammu Kaario as the Vice Chairman of the Board.

The company values that its Board members' have diverse backgrounds taking into account the competencies that are relevant for CapMan's business, such as know-how of the financial sector. The aim is that the Board consists of representatives of both genders and different age groups, that the Board members' have versatile educational and professional backgrounds and that the Board of Directors as a whole has sufficient experience on an international operating environment. Based on the Board's evaluation its composition is sufficiently aligned with the objectives set for the diversity of the Board composition

The biographical details of the directors are presented in the table on page 6.

### 4.2 Independence of the Board members

The Board has in its organizing meeting on 14 March 2018 assessed its members'

independence of the company and of its significant shareholders., Catarina Fagerholm, Eero Heliövaara, Mammu Kaario and Andreas Tallberg were independent of both the company and its significant shareholders. Ari Tolppanen was non-independent of the company but independent of its significant shareholders.

Shares and share-based rights of each director and corporations over which he/she exercises control in the company and its group companies are presented in the table on page 6.

### 4.3 Duties and responsibilities of the Board

Under the Finnish Companies Act and CapMan's articles of association, the Board is responsible for the administration of the company and the proper organisation of its operations. The Board is also responsible for the appropriate arrangement of the control of the company's accounts and finances. The Board has confirmed a written charter for its work, which describes the main tasks and duties, working principles and meeting practices of the Board, and an annual self-evaluation of the Board's operations and working methods.

In accordance with the charter, the main duties of the Board are:

- to appoint and dismiss the CEO
- to supervise management
- to approve strategic goals

- to decide on the establishment of new CapMan funds and the level of CapMan's own commitments therein
  - to decide on fund investments to other than CapMan funds exceeding EUR 5 million and also direct investments exceeding EUR 5 million
  - to decide on any major changes in the business portfolio
  - to ensure that the company has a proper organisation
  - to ensure the proper operation of the management system
  - to approve annual financial statements and interim reports
  - to ensure that the supervision of the accounting and financial management is properly organised
  - to ensure that the business of the group complies with relevant rules and regulations
  - to approve the principles of corporate governance, internal control, risk management and other essential policies and practices
  - to decide on the CEO's remuneration and on the remuneration policy to be followed for other executives and CapMan's key employees
  - to confirm the central duties and operating principles of the Board committees
- The Chairman of the Board ensures and monitors that the Board fulfils the tasks appointed to it under legislation and by the company's articles of association.

#### 4.4 Work of the Board in 2018

In 2018, the Board of Directors met eight times. The Board had seven meetings in the composition as elected by the 2018 AGM and one meeting in the composition as elected by the 2017 AGM.

The table on page 6 presents Board members' attendance at the meetings in 2018.

#### 5 Board Committees

The Board may establish Committees to ensure efficient preparation of the matters under its responsibility. The Committees are established and their members are elected from among the members of the Board in the Board's organizing meeting to be held after the AGM for the same term as the Board. According to Recommendation 15 (Appointment of Members to Committees) of the Code, at least three members will be elected to the Committees. The charters for each committee shall be confirmed by the Board and the minutes of the meetings shall be delivered to the Board for information. The committees do not have autonomous decision-making power, but the Board makes the decisions within its competence collectively.

In its organizing meeting held on 14 March 2018, CapMan's Board of Directors established an Audit and Remuneration Committee. A Nomination Committee was not established since the AGM decided to establish the Shareholders' Nomination Board.

#### Board of Directors in 2018

Name	Personal information	Shares and share-based rights as of 31 Dec 2018	Attendance at the Board meetings	Attendance at the Committee meetings
<b>Andreas Tallberg</b>	Chairman of the Board since 15 March 2017. Member of the Board since 2017 Born: 1963 Education: M.Sc. (Econ.). Main occupation: CEO of Oy G.W. Sohlberg Ab Chairman of the Nomination Committee (2017) and the Remuneration Committee. Independent of the company and significant shareholders.	804,530	8/8	Remuneration Committee: 1/1 Nomination committee 1/1
<b>Catarina Fagerholm<sup>1)</sup></b>	Member of the board since 2018, Born: 1963 Education: M. Sc. (Econ.) Main occupation: Board professional Member of the audit and remuneration committee. Independent of the company and significant shareholders.	40,000	7/7	Audit committee: 4/4
<b>Eero Heliövaara<sup>1)</sup></b>	Member of the board since 2018 Born: 1956 Education: M.Sc. (Eng.), M.Sc. (Business Admin.) Main occupation: Board professional Member of the audit committee. Independent of the company and significant shareholders.	29,000	7/7	Audit committee: 4/4
<b>Mammu Kaario</b>	Member of the Board since 2017 Born 1963 Education: LL.M., MBA Main occupation: Board professional Chairman of the Audit Committee. Independent of the company and significant shareholders.	38,071	8/8	Audit committee: 5/5
<b>Karri Kaitue<sup>2)</sup></b>	Chairman of the Board during 7 August 2013 – 15 March 2017. Vice Chairman of the Board during 20 March – 7 August 2013 and since 15 March 2017 Member of the Board since 2012. Born: 1964 Education: LL. Lic. Main occupation: Board professional. Member of the Nomination Committee, Remuneration Committee, and Audit Committee. Independent of the company and significant shareholders.	9,224	1/1	Audit committee: 1/1 Nomination Committee: 1/1 Remuneration Committee: 1/1
<b>Nora Kerppola<sup>2)</sup></b>	Vice Chairman of the Board during 7 August 2013 - 15 March 2017. Member of the Board since 2011. Born: 1964 Education: MBA. Main occupation: CEO of Nordic Investment Group Oy. Chairman of the Audit Committee. Independent of the company and significant shareholders.	0	1/1	Audit committee: 1/1
<b>Ari Tolppanen</b>	Member of the Board since 2013. Born: 1953 Education: M.Sc. (Tech.). Main occupation: Board professional. Member of the Nomination Committee and Remuneration Committee. Independent of the significant shareholders but non-independent of the company.	7,032,865	4/8	Nomination Committee: 1/1 Remuneration Committee: 1/1

<sup>1)</sup> Was elected as a new member at the AGM held on 14 March 2018. <sup>2)</sup> A member of the Board of Directors until the AGM held on 14 March 2018.

## 5.1 Audit Committee

The Audit Committee has been established to improve the efficient preparation of matters pertaining to financial reporting and supervision.

The duties of the Audit Committee include:

- monitoring the reporting process of financial statements
- supervising the financial reporting process
- monitoring the efficiency of the company's internal control and risk management systems
- reviewing the description of the main features of the internal control and risk management systems pertaining to the financial reporting process
- monitoring the statutory audit of the financial statements and consolidated financial statements
- evaluating the independence of the statutory auditor or audit company, particularly the provision of related services
- preparing the proposal for resolution on the election of the auditor.

The Board has in its organizing meeting on 14 March 2018 elected Mammu Kaario (chairman), Catarina Fagerholm and Eero Heliövaara as members of the Audit Committee. In 2018, the Committee met four times in this new composition and once in the composition elected by the Board of Directors in 2017. The table on page 6 presents the Committee members' attendance at the meetings.

## Management Group in 2018

Name	Responsibilities	Personal information	Shares and share-based rights on 31 Dec 2018
<b>Joakim Frimodig</b>	CEO	Born: 1978 Education: BA (Oxon)	Shares: 650,000 2013C-options: 120,000 2016A-options: 100,000
<b>Anna Berglind</b> (since 9 August 2018)	Head of People and Culture	Born: 1974 Education: M.Sc. (Soc.)	Shares: 0
<b>Niko Haavisto</b>	CFO	Born: 1972 Education: M. Sc. (Business)	Shares: 243,817 2013C-options: 200,000 2016A-options: 100,000
<b>Pia Käll</b>	Head of CapMan Buyout	Born: 1980 Education: M.Sc. (Tech.)	Shares: 30,000
<b>Mika Matikainen</b>	Head of CapMan Real Estate	Born: 1975 Education: M. Sc. (Econ), M.Soc.Sc	Shares: 45,000
<b>Juha Mikkola</b>	Head of CapMan Growth Equity	Born: 1961 Education: M.Sc. (Econ.)	Shares: 30,000 2016A-options: 100,000
<b>Ville Poukka</b> (since 1 November 2018)	Head of CapMan Infra	Born: 1981 Education: M.Sc. (Econ)	Shares: 59,916
<b>Mari Simula</b>	Head of Fund Investor Relations	Born: 1982 Education: M.Sc. (Tech.)	Shares: 50,249 2013B-options: 100,000 2013C-options: 100,000 2016A-options: 12,500

## 5.2 Nomination Committee

A Nomination Committee was not established in the organizing meeting on 14 March 2018, since the AGM decided to establish the Shareholders' Nomination Board.

The Nomination Committee established at the AGM 2017 comprising Karri Kaitue (Chairman), Andreas Tallberg and Ari Tolppanen met once before the AGM of 2018. The table on page 6 presents the Committee members' attendance at the meeting.

## 5.3 Remuneration Committee

The Remuneration Committee has been established to improve the efficient preparation of matters pertaining to the remuneration and appointment of the CEO and other executives of the company as well as the remuneration policy covering the company's other personnel.

The main duty of the Remuneration Committee is to assist the Board by preparing the Board decisions concerning:

- CEO remuneration
- company executive remuneration principles generally and individual situations as required
- company's overall principles for total compensation structure.

The Committee shall further contribute to:

- securing the objectivity and transparency of the decision-making regarding remuneration issues in the company

- the systematic alignment of remuneration principles and practice with company strategy and its long-term and short-term goals
- the appointment of the executives of the company.

The Board has in its organizing meeting on 14 March 2018 elected Andreas Tallberg (Chairman), Catarina Fagerholm and Ari Tolppanen as members of the Remuneration Committee. The Committee did not convene in its new composition during 2018 but convened once with the composition elected in 2017. The table below on page 6 presents the Committee members' attendance at the meetings.

## 6 Chief Executive Officer (CEO)

The Board elects the company's CEO. The CEO's service terms and conditions are specified in writing in the CEO's service contract, which is approved by the Board. The CEO manages and supervises the company's business operations according to the Finnish Companies Act and in compliance with the instructions and authorisations issued by the Board. The CEO shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner. Generally, the CEO is independently responsible for the operational activities of the company and for day-to-day decisions on business activities and the implementation of these decisions. The CEO appoints

the heads of business areas. The Board approves the recruitment of the CEO's immediate subordinates. The CEO cannot be elected as Chairman of the Board.

In 2018, CapMan's CEO was Joakim Frimodig (born 1978, BA (Oxon)). Frimodig's shares and share-based rights and those of the corporations over which he exercises control are presented in the table on page 8.

## 7 Management Group

The main tasks of the Management Group consist of (i) coordination of team strategy, fundraising, resources as well as marketing and brand issues, (ii) implementation of decisions by the Board and the CEO/ Management Group, (iii) giving input by providing information for the decisionmaking and participating in discussion, and (iv) spreading information within the teams as agreed in the Management Group. The composition of the Management Group, responsibilities and the shares and share-based rights of the members of the Management Group and of the corporations over which he/she exercises control are presented in the table below.

## 8 Internal control and risk management pertaining to the financial reporting

The internal control and risk management pertaining to the financial reporting process is part of CapMan's overall internal control framework. The key roles and responsi-

bilities for internal control and risk management have been defined in the group's internal guidelines which are approved and updated by the management and/or the Board of Directors of the company.

CapMan's internal control and risk management concerning financial reporting is designed to provide reasonable assurance concerning the reliability, comprehensiveness and timeliness of the financial reporting and the preparation of financial statements in accordance with applicable laws and regulations, generally accepted accounting principles and other requirements for listed companies. The objective is also to promote ethical values, good corporate governance and risk management practices and to ensure the compliance with laws, regulation and CapMan's internal policies.

### 8.1 General description of the financial reporting process

CapMan's operating model is based on having a local presence in Finland, Sweden, Denmark and Russia, and operating the organisation across national borders. CapMan's subsidiaries in six countries report their results on a monthly basis to the parent company. The bookkeeping function is mainly outsourced.

Financial information is assembled, captured, analysed, and distributed in accordance with existing processes and procedures. The group has a common reporting and consolidation system that facilitates compliance with a set of common control requirements.

The monthly accounting entries of the most significant subsidiaries are transferred to the Group's reporting system on an entry-by-entry level. The other subsidiaries submit their figures either monthly or quarterly to the group accounting to be inserted to the group reporting system for consolidation. The reported figures are reviewed in subsidiaries as well as in group accounting. Group accounting also monitors the balance sheet and income statement items by analytically reviewing the figures. The consolidated accounts of CapMan are prepared in compliance with International Financial Reporting Standards (IFRS) as adopted by the EU.

### 8.2 Control and risk management of the financial reporting process

The Board has the overall responsibility for the proper arrangement of internal control and risk management over financial reporting. The Board has appointed the Audit Committee to undertake the more specific tasks in relation to financial reporting process control such as monitoring the financial statements reporting process, the supervision of the financial reporting process and monitoring the efficiency of the company's internal control. The Audit Committee also reviews regularly the main features of the internal control and risk management systems pertaining to the financial reporting process.

The management of the group is responsible for the implementation of internal control and risk management processes and

for ascertaining their operational effectiveness. The management is also responsible for ensuring that the company's accounting practices comply with laws and regulations and that the company's financial matters are managed in a reliable and consistent manner.

The CEO leads the risk management process by defining and allocating responsibility areas. The CEO has nominated the group's CFO as risk manager to be in charge of coordinating the overall risk management process. The risk manager reports to the Audit Committee on matters concerning internal control and risk management. The management has allocated responsibility for establishing more specific internal control policies and procedures to personnel in charge of different functions. The group's management and accounting departments possess appropriate levels of authority and responsibility to facilitate effective internal control over financial reporting.

### **8.3 Risk assessment and control activities**

CapMan has defined financial reporting objectives in order to identify risks related to the financial reporting process. The risk assessment process is designed to identify financial reporting risks and to determine how these risks should be managed.

The control activities are linked to risk assessment and specific actions are taken to address risks and achieve financial reporting objectives. Financial reporting risks are managed through control activities

performed at all levels of the organisation. These activities include guidelines and instructions, approvals, authorisations, verifications, reconciliations, analytical reviews, and segregation of duties.

In the annual strategy process of the group, the identified risks are reviewed, the risk management control activities are audited and effects of potential new identified risks on the strategy are evaluated. The objectives and responsibilities of the risk management process as well as the determination of the risk-appetite were updated during 2018.

### **8.4 Information and communication pertaining to the financial reporting**

CapMan has defined the roles and responsibilities pertaining to financial reporting as an essential part of the group's information and communication systems.

In terms of internal control and financial reporting information, CapMan's external and internal information is obtained systematically, and the management is provided with relevant information on the group's activities. Timely, current and accessible information relevant for financial reporting purposes is provided to the appropriate functions, such as the Board, the management group and the monitoring team. All external communications are handled in accordance with the group disclosure policy, which is available on the company's website: <https://www.capman.com/shareholders/statements-policies/disclosure/>

### **8.5 The organisation and monitoring of internal control activities**

To ensure the effectiveness of internal control pertaining to financial reporting, monitoring activities are conducted at all levels of the organisation. Monitoring is performed through ongoing follow-up activities, separate evaluations or a combination of the two. Separate internal audit assignments are initiated by the Board or management. The scope and frequency of separate evaluations depend primarily on the assessment of risks and the effectiveness of ongoing monitoring procedures. Internal control deficiencies are reported to the management, and serious matters to the Audit Committee and the Board.

Group accounting performs monthly consistency checks of income statement and balance sheet for subsidiaries and business areas. The group accounting team also conducts management fee and cost analysis, quarterly fair value change checks, impairment and cash flow checks as well as control of IFRS changes. The Audit Committee and the Board regularly review group-level financial reports, including comparison of actual figures with prior periods and budgets, other forecasts, monthly cash flow estimates and covenant levels. In addition, the Audit Committee monitors in more detail, among others, the reporting process (including the management's discretionary evaluations), risk management, internal control and audit.

The monitoring team, which is independent from the investment teams, is responsible for the quarterly valuation process, monitoring and forecasting fair value movements and preparing the models for and calculating carried interest income for the funds under the management of the Group.

CapMan's subsidiaries CapMan Real Estate Ltd and CapMan AIFM Ltd both hold a license to act as alternative investment fund manager granted by the Finnish Financial Supervisory Authority. For these companies CapMan has arranged separate risk management and internal audit functions as required by applicable laws.

The compliance function oversees that the operations of the CapMan group comply with regulation and that the group companies will adopt the relevant new regulations promptly.

## **9 Other information**

### **9.1 Procedures related to insider administration**

CapMan complies with the insider rules of the Market Abuse Regulation (596/2014) that came into force on 3 July 2016 and the guidelines for insiders issued by Nasdaq Helsinki. CapMan has supplemented the general insider guidelines with its own set of internal insider guidelines, which are partly stricter than the general rules. The group's Compliance Officer is responsible for insider management.

CapMan maintains project-specific insider lists for the projects which may have a significant effect on the prices of the financial instruments issued by CapMan. These project-specific insider lists will be drafted and maintained in accordance with the Market Abuse Regulation and the internal policies of the company and are established following a decision to delay disclosure of inside information.

CapMan has defined the Board and Management Group members (including the CEO) as 'persons discharging managerial responsibilities' pursuant to the Market Abuse Regulation and publishes the transactions by managers and their closely associated persons with the financial instruments issued by CapMan in case the total value of all transactions exceeds EUR 5,000 within a calendar year. The total owning of CapMan's shares and share-based rights of each manager will be published as a part of the Annual Report as required in the the Code. CapMan maintains a non-public listing of the managers and their closely associated persons. CapMan's managers have been instructed to inform their closely associated persons on the duty to disclose transactions.

CapMan's managers and the employees of CapMan Group are not permitted to trade CapMan's shares, option rights or other

financial instruments issued by CapMan without a pre-approval of the person responsible for insider management (compliance officer).

The execution of trades in financial instruments issued by CapMan by the aforementioned managers and personnel is prohibited during the 30-day period prior to publication of the company's financial results (closed period). These publication dates are disclosed annually in advance by a stock exchange release. CapMan's managers and personnel have been requested to inform their closely associated persons on the closed periods and refrain from trading in CapMan's financial instruments.

The Compliance Officer of the Group supervises the compliance with the internal insider guidelines in accordance with the guidelines for insiders issued by Nasdaq Helsinki through reminding personnel of trading restrictions, maintaining insider lists and training personnel on insider issues and disclosure obligations.

## **9.2 Principles regarding Related Party Transactions**

The company does not customarily enter into transactions with its related parties which would be significant for the company and deviating from the ordinary course of business or would be conducted in deviation

from customary market terms. No such transactions were made in 2018. Possible significant and out of ordinary transaction deviating from market terms would be discussed in the Board meeting. The company maintains a list of its related parties.

## **9.3 Audit fees**

In 2018, the audit fees paid to the auditor amounted to 307,000 euros (257,000 euros in 2017) and the fees related to other non-audit related services amounted to 38,000 euros (165 000 euros in 2017).

## **9.4 Internal audit**

Taking into account the nature and extent of the company's business CapMan has not considered it necessary to organise internal audit as a separate function. The internal audit of the licensed operation has been outsourced to an external service provider. CapMan has in recent years increased the number of personnel in compliance and risk management functions in order to ensure that the operations comply with laws and regulations and that the risks are identified, monitored and managed appropriately.